



## MACRA Reform

The Medicare Access and CHIP Reauthorization Act (MACRA) included incentive payments to encourage physicians and other clinicians to move into risk-based alternative payment models (APMs). These incentives also provide physician practices with finances to help cover services not reimbursed by traditional Medicare. This allows practices to invest in people and technology to coordinate care, improve patient outcomes, and reduce unnecessary spending. While MACRA was a step in the right direction, lawmakers must do more to continue driving long-term system transformations.

### ✓ Reform Medicare Physician Payments to Encourage Movement to Value

- Stabilizing Medicare's physician payment system to account for inflation and ensure payment adequacy is necessary to support the infrastructure and staffing necessary to transition to value-based payment.
- NAACOS is pleased that Congress passed another short-term extension of MACRA's APM incentives, however, it does not go far enough to drive movement to value-based care.
- The next year when financial incentives favor clinicians that participate in risk-based APMs, over those who remain in fee for service (FFS), will be 2032 (see attached graph). For clinicians in advanced APMs, the 1.88 incentive for 2024 and higher conversion factor is a lower incentive than the maximum Merit-Based Incentive Payment System (MIPS) adjustment, which is estimated to be just over 3 percent.
- As the incentive structure shifts, some clinicians may choose to voluntarily shift back to MIPS because the program will continue to offer opportunities for high performing APMs to qualify for higher financial incentives.
- MACRA's differential conversion factor updates also do not adequately address inflation, create more complexity for clinicians, and could make it harder for clinicians in APMs to successfully meet program financial targets.
  - Going forward lawmakers should:
    - **Develop approaches that account for inflation in payment updates.**
    - **Maintain stronger financial incentives for physicians that move into APMs.**
    - **Ensure that incentives do not impact a clinician's ability to meet financial targets in APMs.**

### ✓ Reduce Program Complexity & Improve Scaling of Innovation

- MACRA created nonfinancial incentives for clinicians in APMs by exempting them from regulatory burdens associated with the FFS payment system. Unfortunately, program complexity can lead to less participation in value models. Additionally, clinicians can be hesitant to participate in Innovation Center model tests because the models do not have a predictable pathway to permanence.
  - Going forward lawmakers should:
    - **Reduce program complexity by ensuring that clinicians in APMs are not required to engage in duplicative quality reporting efforts.**
    - **Emphasize that MIPS should prepare clinicians for and encourage adoption of APMs.**
    - **Ensure that promising aspects of innovative models have a more predictable pathway for becoming permanent.**
- While updating Medicare's incentive structure will take time, in the short-term, lawmakers should cosponsor and support the **Value in Health Care Act ([H.R. 5013/S.3503](#))**.

## Medicare's Incentives Favor the Status Quo Over Accountable Care

- The primary goal of MACRA was to shift how Medicare pays for health care services to encourage keeping patients healthy, reducing unnecessary care, and lowering costs for both patients and taxpayers.
- MACRA included a 5 percent incentive payment to encourage physicians and other clinicians to participate in value-based care and be held accountable for the total cost and quality of care provided.
- These incentives have been instrumental in encouraging participation in advanced APMs but due to fiscal constraints Congress passed short-term extensions at reduced percentages, resulting in MIPS having a stronger financial incentive.
- Beginning in Payment Year 2026 (Performance Year 2024), incentives favor clinicians who are not participating in advanced APMs and remain in MIPS.
- 2032 will be the first year in which incentives favor clinicians in advanced APMs (the chart below models the potential incentives).
  - In 2026, clinicians in MIPS will be provided a 0.25 percent conversion factor update (red line) and can receive an additional positive payment adjustment in MIPS.
    - While the maximum potential incentives under MIPS are 9 percent, CMS estimates that the highest MIPS adjustments will be around 3 percent in the coming years.
    - Accordingly, the total potential payment adjustment is an estimated 3.25 percent (yellow dashed line).
  - Conversely, clinicians in advanced APMs will only receive a 0.75 percent conversion factor update (blue line) and be eligible for a 1.88 percent incentive payment, a total incentive equal to 2.63 percent.
    - The 1.88 percent advanced APM incentive will expire at the end of 2024.
- The expiration of APM incentives will mean a significant incentive shift towards MIPS in the short-term.
- APM adoption has been steadily growing but still falls below Congress' original goals of transitioning all clinicians into models with financial risk.

